

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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RESULTS OF BRITAIN'S GOLD ACTION IN DOUBT

Decline of Money Value Produces Temporary Stimulation of Trade and Business

COUNTER EFFECTS EXPECTED

Consequences of Step Complex; Scandinavian Countries Off Gold Basis

Many people, well enough informed, but unused to problems of international trade and finance, must find themselves somewhat perplexed by the current reports of British finances. The gold standard has been abandoned, but the government gives its assurance that the measure, while necessary at present, will be but temporary in its effect. Such are the facts as announced by the official statement.

But just how will this affect the average Englishman? How will it affect the rest of us? Just what is going on, anyway? These questions are natural enough, and they call quite imperatively for answers—the more so because the British are not alone in this experience. Norway, Sweden and Denmark have followed Britain in giving up, for the time being, the gold standard. Every other nation, at one time or another, has done the same thing. Some of them may do so again. In studying the British situation, therefore, we are directing our attention to issues of world-wide application.

The Fall of the Pound

First, at the risk of repeating last week's discussion, let us see just what has happened in Great Britain. Briefly stated, it was this: The British government had been saying, in effect, "If any one, native or foreigner, has British paper money which he wishes to exchange for gold, we will give him 112.988+ grains of pure gold for every pound." (112.988+ grains is exchanged in American money for \$4.866+). On September 20 the government announced that it would no longer make that exchange. An English pound, since then, does not exchange for 112.988+ grains of gold or for \$4.866+. It exchanges for only as much as one can get for it in the market. A week after the announcement of the British government it was exchanging for only 91.22+ grains, or \$3.92.

The fact should be kept clearly in mind that the British authorities did not bring this situation about as a matter of policy; also that they do not intend it to be permanent. But just now, with the pound down in value, certain effects are manifesting themselves. Certain effects may always be expected when currency falls or depreciates in relation to gold. Some of them are so complex that they cannot be described except at



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The Chinese frequently boycott the goods of foreigners whose policies toward them they do not like. The anti-militarist party in Japan counsels moderation in Manchuria, one reason for the caution being a fear that the Chinese may boycott Japanese goods.

great length and with many modifications. Others are fairly simple. We may consider here a few of the latter.

What Happens

Let us suppose that a week after the so-called "fall of the pound" an Englishman, whom we will call Mr. John Bull, goes out shopping. He sees little to indicate that the financial structure of society has tottered. Goods in the stores are still marked by the same price tags. The shoes which were selling for a pound the week before still carry the pound price mark.

But Mr. Bull has an American friend with him—a Mr. Henry Jones. Jones had been out the week before and had seen the shoes with the price mark of one pound. But he did not buy them. If he had changed his American money into English, it would have taken \$4.86 to obtain a pound note. The shoes then, would have cost him \$4.86. He could, however, buy shoes of the same quality in the United States for \$4.50. That is why he did not exchange his \$4.86 for a pound and buy the shoes. But the week following when he sees the shoes the case is different. They are still selling for a

pound, but by this time the pound is not worth \$4.86 in American money. He can secure a pound note with \$3.92. That is what he does. He trades \$3.92 for a pound and then he buys the shoes. They have cost him only \$3.92. He has saved 58 cents.

That sort of thing is happening on a large scale. Foreigners are not only finding it profitable to buy items for personal use, but foreign traders are placing large orders for British goods. These goods, priced in terms of English money, are lower in terms of gold than goods in countries which are on the gold standard. Just as Mr. Jones found it profitable to buy the shoes because he could exchange his American dollars to good advantage, so the traders find it to their advantage to buy goods in the British market. The result is a stimulation (perhaps temporary in nature) to British exports. A London correspondent of the New York Herald-Tribune says:

The spinning mills already are booking increased orders for yarns. Four mills, closed for many months, have consequently been reopened by one large combine. The coal and steel industries, likewise, are beginning to receive foreign inquiries, and in some cases are arranging to increase their output.

(Concluded on page 7, col. 1)

ECONOMIC BASIS FOR CRISIS IN MANCHURIA

Japan Has Important Interests in Manchuria but Political Control not Vital

DIVISION ON MUKDEN POLICY

Government for Peaceful Trade But Militarists Demand Stronger Measures

Japan's economic interest in Manchuria dates back to the Russo-Japanese war, at the end of which the South Manchurian Railway was ceded by Russia to Japan. The value of the property was placed at 100,000,000 yen (approximately \$50,000,000). The railroad with its branches is 695 miles long; and the so-called railway "zone," which includes "attached lands" adjacent to the tracks, has an area of 108 square miles. Japan also acquired as a result of the Russo-Japanese war a 99-year lease of Kwangtung Province, a peninsula extending south from Manchuria into the Yellow Sea. The South Manchurian Railway extends from Dairen, the port of Kwangtung Province, north to the city of Changchun. The area of Kwangtung Province, including the railway zone, is 1,441 square miles. For purposes of comparison, it may be noted that the area of Rhode Island is 1,250 square miles.

Japanese Investments

With the passage of years the investments of the Japanese in the South Manchurian Railway Company have increased greatly. According to the financial statement of the company on March 31, 1930, the fixed assets of this company—railways, coal mines, plants, etc.—amounted to \$358,000,000. In the intervening years Japan has also accumulated substantial additional investments in Manchuria, some of which were made by the Manchurian Railway Company itself. The total Japanese investment in Manchuria in 1928, including the railway itself, has been estimated by the Japan-China Industrial Association at \$760,000,000. The largest investments are in transportation enterprises, manufacturing, mining, and commercial establishments. There are also some in power plants, financial institutions, and in agriculture and forests. These investments represent approximately 80 per cent of all Japanese foreign investments, most of the remainder being in other parts of China.

Japan's primary interest in Manchuria is therefore that of business enterprise. Japanese capitalists have found in this mainland region of Asia a profitable field of enterprise. These investments are of course directly analogous to those made by Great Britain, France, Italy, the United States and other countries in various parts of the world.

A second phase of Japan's economic

interest in Manchuria relates to food-stuffs and raw materials. In the popular mind there is a great exaggeration as to the importance of these resources for Japan, and it is quite erroneously assumed that it is necessary for Japan to gain political control of Manchuria in order to utilize these resources.

Agriculturally, Manchuria resembles the region occupied by the states of Minnesota, Iowa, the Dakotas, and Nebraska. It is primarily a wheat-growing region. Now, the Japanese people consume very little wheat, their principal article of food being rice. In any event, such wheat as is required can be, and has been for a number of years, obtained from Manchuria through ordinary trade processes.

Coal is a second Manchurian resource which is regarded as of great importance for Japan. As a matter of fact, Japan has sufficient coal of her own to supply all of her requirements. Some coal is, however, brought in from Manchuria and China because it is somewhat cheaper. But, again, it is not necessary for Japan to own Manchuria in order to obtain this.

Manchurian Resources

The third important resource is iron ore. The reserves of iron ore in Japan and Korea amount to only about 60,000,000 tons and are wholly inadequate to support an important iron and steel industry. On the other hand, the iron ore resources of Manchuria are estimated at from 300,000,000 to 350,000,000 tons, metallic content, which is about equal to the metallic content of the ore reserves of Germany and of the United Kingdom (which are insufficient for their requirements), and is about one-seventh of the metallic content of the estimated reserves of the United States. The bulk of this ore is, however, of very low grade, and much of it would not be counted as ore in the United States. The inferior quality of the bulk of the Manchurian ores necessitates large outlays in their preparation for use, and thus imposes a heavy cost handicap. Because of the poor quality and high cost of Manchurian ores, Japan has in recent years been looking to other sources of supply; and she now imports practically half of her ores from

the Malay Peninsula. These ores are of superior quality.

Even with possession of Manchurian iron ore resources, Japan could not develop a great iron and steel industry and become entirely independent in time of war. The resources would be largely exhausted in a period of 25 years. In any event, independence of iron and steel imports is not a vital necessity.

In the event of a war with the United States or with a European power, Japan could doubtless continue to import iron ore from Manchuria. It would only be in the case of a war with China that the lack of political control of Manchuria would become important from the standpoint of raw materials. But as a practical matter, this of no concern, since China would be in no position to prevent the occupation of this entire area by Japanese troops. As the German armies quickly took possession of the iron ore and iron and steel producing regions of France and Belgium at the beginning of the World War, so would Japan of a certainty take immediate possession of the iron ore and mining resources of Manchuria.

In the third place, Manchuria has been regarded as an important potential outlet for Japanese emigration. The Japanese islands have an extremely dense population. In fact, about 65,000,000 people live on an area about the size of the state of New Mexico, only about 15 per cent of which is tillable land. It is therefore not surprising that a sparsely populated area on the near-by mainland of Asia might have been looked upon as a possible outlet for millions of Japanese people.

The fact is, however, that the hope that was once entertained in this direction has been definitely abandoned. The number of Japanese residents in Manchuria in 1929 was only 215,000 out of a total population of something like 30,000,000. Between 1920 and 1929, Japanese population was increased by only 65,000. Nearly 97 per cent of the Japanese are in South Manchuria. Korean migration to Manchuria has been considerably larger, the number of Koreans residing there aggregating in July, 1928, about

893,000 of which about 400,000 are in North Manchuria.

In contrast to this negligible migration of Japanese into Manchuria, Chinese emigrants have moved northward into Manchuria in recent years at a rate of nearly 1,000,000 annually. The fundamental explanation of the restricted Japanese migration is that the Japanese laborers cannot compete with the Chinese, who are willing to live on much lower standards. The situation is analogous to that which formerly existed on the west coast of the United States where Japanese laborers undercut American workers in the labor market.

Changing Japanese Policies

Fifteen years ago, Japanese government officials and the Japanese public generally unquestionably believed that it would be sound national policy to acquire both economic and political control of important Chinese provinces. A number of developments have, however, combined to affect profoundly this belief.

In the first place, Japan sustained extremely heavy losses as a result of the semi-political loans that were made to Chinese governments and governmental agencies during the period of the World War. These loans were not made by the Japanese government directly, but most of them were made with the backing of the government and with political objects in view. They were made for a wide variety of purposes, some of which were military in character and some of which were for the purpose of developing economic enterprises. Of total loans amounting to about \$192,500,000, only about \$5,000,000 may be regarded as satisfactorily secured and likely to be paid. In 1926 the Japanese government assumed a large part of the losses sustained by private citizens who had purchased Chinese bonds. This experience has been in the nature of a major disillusion.

In the second place, some of the outstanding governmental leaders of Japan have come to recognize that Japan's economic future depends upon the development of extensive trading relations with oriental countries, and particularly with China. Indeed, the principal outlets for the most important Japanese manufactured goods have been, and must continue to be, in Chinese markets. An imperialistic policy in Manchuria, Shantung, or elsewhere in northern China, it is now believed by many responsible leaders, could not possibly yield economic benefits at all commensurate with the losses that would be sustained through disruption of trade with China. A Chinese boycott of Japanese goods is a matter of vital concern to Japan.

A third factor leading to a change of Japanese policy is political in character. Japan's

war-time seizure of Shantung and the disclosure of her plans for strengthening her position on the continent met with the solid opposition of the rest of the world and forced a modification of policy.

For Peaceful Trade

These factors, together with the recognition that the population problem cannot be solved by expansion on the Asiatic mainland, have led the leaders of the government, notably the recent Premier Hamaguchi, Foreign Minister Shidehara, and Finance Minister Inouye, to emphasize the importance of maintaining peaceful relations with China in the interests of promoting normal trade intercourse. On the other hand, the leaders of the army and the navy have not apparently changed their basic views and aims—as recent events in Manchuria have indicated.

There is thus an internal conflict of opinion with reference to Japanese foreign policy. It is a difference which extends not only to the Manchurian issue but relates as well to the size of the military establishment and to the question as to who shall determine military policies, the government as a whole or the military leaders.

Traditionally in Japan, the military leaders, with the support of the emperor and his advisers, have formulated their military programs more or less independently of the cabinet and the Diet. In other words, they have determined the national military requirements and it was incumbent upon the government and Diet to provide the necessary funds. Under this system the Japanese did not thus possess a really democratic government in which fundamental national policies were determined by elected representatives of the people and by a cabinet responsible to the public. For many years there has been a struggle for a parliamentary system and much progress has recently been made.

The Present Issue

The issue was clearly joined in connection with the ratification of the London Naval Pact a year ago. The naval agreement negotiated at London was approved by the government; but was vigorously opposed by the military group and by some members of the Privy Council which acts in an advisory capacity to the emperor. Premier Hamaguchi, relying upon the support of the press and public opinion generally, defied the opposition and in the end won a complete victory for the government.

The struggle has, however, continued in that the military group still contends that the funds saved as a result of the naval agreement must be utilized to strengthen other divisions of the army organization. The government, and particularly the finance minister, contend that these savings must be utilized to mitigate the burden of taxation and to ameliorate economic conditions.

In the light of this general economic background and this political struggle, it is perhaps easier to understand how it is that the Japanese military forces have seized control of Mukden and other cities with a view to protecting the rights of Japanese citizens, while at the same time the government gives unqualified assurance that Japan has no intention of permanently occupying Manchurian territory.

HAROLD G. MOULTON.

The membership of the House of Representatives is deadlocked as the result of the election of a Democrat to fill a vacant Missouri seat. Each party now has 214 members, with 6 seats vacant.



JAPANESE TROOPS ON THE SOUTH MANCHURIAN RAILWAY

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AMERICAN LEGION PARADE IN DETROIT © Wide World Photos

Prohibition Issue Enlivened by Demand of the Legion for Submission to States

The prohibition issue has come to life again. It had never been absent from the thought of our political leaders, but it had been forced into the background by dramatic events which, during the last few weeks, have shaken the financial foundations of several nations. It was brought back to the front pages of the newspapers late last month. The American Legion, in session in Detroit, called for the submission of the prohibition question to the states for settlement. The following resolution was adopted by a vote of 1008 to 394:

Whereas, the Eighteenth Amendment of the Constitution of the United States has created a condition endangering respect for law and the security of American institutions, therefore be it

Resolved, that the American Legion in this thirteenth annual convention assembled, favors the submission by Congress of the repeal or modification of the present prohibition laws of the several states with a request that each state submit this question to the voters thereof.

Opponents of prohibition bestirred themselves hopefully as a result of this action. The American Legion is a power in politics, and if it gets actively behind the proposal to submit prohibition to a vote, a lively fight will ensue in Congress. The prohibitionists, however, met the challenge in a fighting spirit. "The Legion has taken the wet side," said Dr. Clarence True Wilson, general secretary of the Board of Temperance, Prohibition, and Public Morals of the Methodist Church. "I am not surprised. If you had seen the outfit that gathered at Detroit as I did, you would be surprised that 394 men could be found who would stand up for the Constitution and decency and sobriety. . . . There was a marked absence of the sober, well behaved, typical American," added Dr. Wilson. "The other crowd

is in power. . . . That is why such numbers of staggering drunks disgraced the uniform and yelled for beer."

The demand of the Legion, it will be noted, is not definitely for the repeal of the eighteenth amendment or the prohibition law. It is merely for the submission of the question to the states. Such action is, however, strongly opposed by the prohibitionists, so the main issue is drawn into the controversy.

Another convention which is being closely watched is that of the American Federation of Labor which is now holding its fifty-first annual meeting in Vancouver, British Columbia. Heretofore this organization has declared repeatedly for 2.75 per cent beer. The question of a repetition of that demand will come up at the convention.

In fact, it is about beer that the present discussion of the liquor problem is mainly concerned. Opponents of prohibition realize how hard it would be at present to secure the repeal of the eighteenth amendment, and their attention is now being given largely to the possibility of securing some kind of liquor without changing the Constitution. Beer might be brought back by an act of Congress. The Eighteenth Amendment prohibits "the manufacture, sale, or transportation of intoxicating liquors." It does not define an intoxicating liquor. That has been done by an act of Congress, the Volstead Act. This law defines an intoxicant as a liquor containing more than one-half of one per cent of alcohol, and it prohibits any such liquor. Those who wish the return of beer say that beer containing two or three or four per cent of alcohol is not, in fact, intoxicating, and that it could be permitted by an act of Congress without

violating the Constitution. Accordingly they are undertaking to secure legislation amending the Volstead Act.

Stress is being laid just now on the economic rather than the moral and political phases of the problem. Those who wish the legalization of beer are saying that its return would relieve the burden of the depression and would help to restore prosperity.

According to their argument, three definite effects would be felt. First, the government would be able to make up a large part of its deficit by the revenue from beer which would accrue to the treasury. Secondly, many of the men who are now seeking employment would be able to work in the breweries. The third effect would be the relief afforded to the farmers by helping them dispose of their surplus of grain. The return of beer would, it is claimed, help solve three of the major problems now confronting the government and the country—deficit, unemployment and agricultural distress.

Those opposed to any modification of the Prohibition Law do not accept these views. They argue that instead of putting more men to work, the legalization of beer would operate in the opposite direction. People would spend money for beer which they might well use for the purpose of more useful commodities which require more labor to produce. The number of men who would find employment in the brewing industry would not offset the number who would lose their jobs in other industries, with which the distribution of beer would compete. The same argument holds that the condition of the farmer would not be improved because less bread, meat, cotton and wool would be consumed as a result of increased expenditures for beer.

The Editorial Research Reports of Washington D. C., an organization which carries on independent investigations on political and economic subjects, recently analyzed the possible economic effects of the repeal of the Eighteenth Amendment, which, of course, would legalize not only beer but other liquors. Basing its conclusions upon the data which had been gathered it made the following report:

First, it appears that repeal would net the federal treasury one billion dollars annually, the larger part of which would be in the form of revenues of liquor taxes, the smaller part of which would represent savings in the cost of enforcement. . . . Repeal of prohibition would not create a new labor market or a new wage fund. If employment in the illicit liquor industry is as extensive as present operations and violations seem to indicate, repeal would aggravate rather than mitigate the problem of unemployment. And, finally, while repeal might help the barley farmer and hop growers, it would not make any important contribution to a solution of the general farm problem.

The situation in a number of the major European countries has been so grave of recent months that little attention has been given to the affairs of the smaller ones. News comes from Holland that it, too, is seriously affected by the world economic crisis. A report issued by the Dutch minister of finance states that owing to a considerable decrease of revenue the budget is facing a deficit of about \$30,000,000. Drastic measures are announced in order that the deficit may be reduced. There will be a number of retrenchments in the matter of expenditures, and tariff duties will be raised.

CONFERENCE FOR BURMA

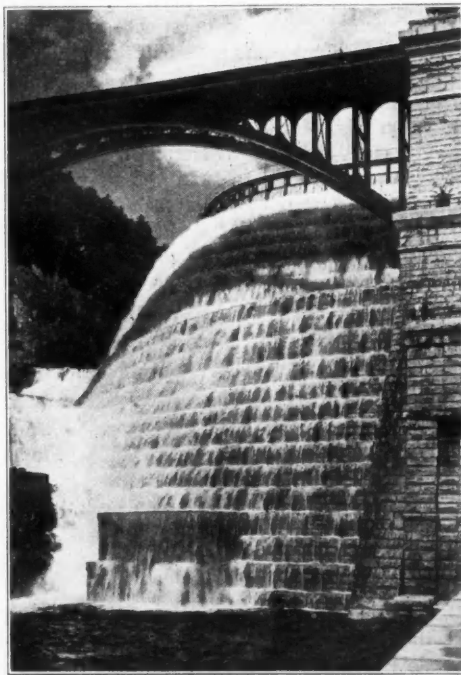
The British government recently announced that there will be a round table conference sometime in November which will attempt to solve the problems of Burma. The territory comprising Burma is situated at the south of China just to the east of India. It is governed by England as a part of India.

The Burmans have been affected by the political happenings in India. An uneducated and generally backward people, they have nevertheless reacted strongly to the emotional enthusiasm which prevails in India, and clamor for recognition. Burma wants to be separated from India and to be governed as a distinct territory. The charge is made that in the administration of Indian affairs, Burma has been greatly neglected. Money has been spent on India rather than for the benefit of the inhabitants of Burma. All this has been aggravated by the economic conditions of the region. The market for rice has declined, and the Burmans, largely dependent on its cultivation for their sustenance, are reduced to want and poverty. They are not accustomed to this. Because of a favorable climate in that part of the world, the growth of vegetable matter in Burma comes easily and with little effort on the part of the natives. They are used to living under easy conditions and have seen little of poverty.

FOR A WATER SUPPLY

The drought of last year which caused a serious water shortage in many sections of the country has stimulated some of the municipal governments to take measures for increasing their water supply. Some cities are building new reservoirs in which millions of gallons of water may be stored. Others are improving their systems so as to prevent waste.

The water department of New York City has recently launched a gigantic water-saving project which will divert an important flow of water into the city system. The overflow of the Croton dam, in the Catskill Mountains, which has been going to waste, will be made available to the citizens of New York. The project includes the building of a viaduct across the dam which will tap the main water line of the mountains. A huge underground steel pipe is to conduct this additional stream several miles over hills and valleys into the city's water supply.



THE CROTON DAM © Ewing Galloway

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REVIEW OF THE WEEK

IT HAS long been held that the only hope of lasting peace and security in Europe lies in coöperation between France and Germany. For this reason the announcement, coming last week, of the intention of those two countries to form a joint commission which will seek to promote their economic interests along lines of harmony and of confidence, was hailed as a signal achievement. The hope is expressed that a softening of Franco-German rivalry may prove a definite turning point in European politics. If the reconciliation endures, European difficulties will be far easier of solution than they have been in the past.

The agreement which was recently reached in Berlin between Premier Laval and Chancellor Bruening, with the assistance of their foreign ministers M. Briand and Dr. Curtius, calls for the establishing of a mixed Franco-German commission which will meet alternately in Paris and in Berlin. It is announced that the economic activities of France and of Germany will be pooled. An effort will be made to develop Eastern European markets with Germany acting as the manufacturer and France as the financier. Stress was laid on the fact that there was no thought of forming an eventual customs union between the two countries, and that the combination will not be directed against the interests of any other state.

The accord is held to be highly important, not only because of what it hopes to achieve, but because it implies that France has reversed a policy on which all her previous negotiations with foreign nations have been based. In order to insure her security, she has insisted that political questions must be settled before economic questions can even be considered. As most of Europe held to the opposite point of view, the determined stand which France has taken on this point in the past has acted as a severe hindrance to European coöperation. Now France and Germany have taken a step to settle their economic problems. It is stated that political difficulties were not mentioned in the conversations between the cabinet ministers in Berlin.

It appears that France has been won over to the German point of view, that economic questions come first and political questions afterwards. If this is so, substantial progress has been made in the direction of a European Economic Union. The French position, insisted upon at every turn as a prerequisite to any sort of discussion of



© H. Miller
PIERRE LAVAL

European problems, has acted as a grave impediment to the evolution of that project.

The meeting in Berlin between the representatives of two nations whose rivalry has plunged Europe in disaster and retarded its recovery was not without dramatic interest. Three months ago when negotiations for the debt moratorium were in full progress, such a meeting would not have been possible. Anti-French feeling ran high in Germany and anti-German sentiment was rampant in France. But time has a habit of changing what was once seemingly unchangeable. When the French ministers arrived in Berlin, the crowd which had assembled to meet them, did not shower upon them cries of anger and resentment. The guard which the German government had solicitously provided was not needed. There was no danger of a violent outbreak. Instead the air rang with hearty cheers. Cries of "Vive Laval!" "Vive Briand!" "No more wars!" "No more wars!" greeted the anxious ears of the French statesmen.

The Franco-German accord comes as the latest achievement of the two newest and strongest figures in European politics. Throughout the summer months when continental equilibrium was threatened by a series of serious crises, two men stood out as towers of strength in Europe. In Germany, Chancellor Bruening has with an iron hand guided his country in time of panic. In France, little Pierre Laval, elevated from an obscure position to the prime ministry, has astutely directed the destiny of his people. Unknown, unheralded, he came into power when ability, discretion and force were most needed in the position he holds.

Prime minister only a few months, Pierre Laval can point to a record of achievement. He met his first test in the difficult and intricate negotiations over the debt moratorium. The manner in which he acquitted himself in this battle of wits is now a matter of history. France emerged stronger and more secure in her position than she had been before. Since that time the power of France has increased greatly. Because of her financial strength she has been able to dictate the course of European affairs during the past months. In all this M. Laval has been the central figure. Within the space of a year he has progressed from a position of obscurity until he dominates all political figures in Europe.

IN another section of this paper is contained a discussion of the present clash in the Far East with particular reference to the position of Japan with regard to Manchuria. Feeling against the Japanese in China grows stronger as agitation persists for League intervention. Last week the League Council announced that intervention was not necessary as Japan had declared that it was already withdrawing its troops from the occupied districts in Manchuria. The stand the Council has taken has far from pleased China. It led to an attack on Foreign Minister C. T. Wang in Nanking by a group of Chinese students. Dr. Wang was blamed for not having persuaded the League to take stronger action. Serious injuries were inflicted on his person and for a time his death was expected.

There are definite movements on foot from three separate quarters in Manchuria for independence from China. Three republics would be set up; one in North Manchuria, a second in South Manchuria and a third in the province of Kirin.

NOW that Great Britain has taken the drastic steps necessary to balance her budget, party strife is beginning to reappear. MacDonald's cabinet is reported to be divided on the tariff issue. The National government no longer seems to present a united front, and the Conservatives are calling for an election.



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DAVID LLOYD GEORGE

The Liberals are opposed to an election because they fear that their power would be lessened. That party holds the balance of power in the House of Commons under the three-party government just as it did under the former Labor

government. Although still too ill to attend Parliament, Lloyd George nevertheless continues to be a dominant figure in British politics. It is said that he sees an opportunity to increase his power with the structure of the House of Commons as it is at present. If an election is held, it is expected that the Liberals will lose by it.

Since the financial crisis first set in in Britain, political developments have been complex and bewildering. No one knows what is going to happen next. The most startling events have taken place without warning. Commenting on this phase of present-day British political life, the New York *Herald-Tribune* states:

British politics in any event is the despair of prophecy, for in British politics nothing is ever what it seems. Thus, the financial crisis began as an effort at economy in order to save the pound without either cutting the dole or imposing a tariff; it progressed into an issue as to whether the pound was to be saved by cutting the one or imposing the other; this, however, was no sooner solved by cutting the dole than the pound went overboard, and now the question is whether there should not be a tariff, too. A crisis precipitated by an effort to achieve three objects threatens to end with the achievement of the exact opposite, and nobody seems seriously to mind. With a people like that, the outcome is beyond foreseeing. But the very anomalousness of the situation does suggest that beneath the superficial aspects there are running deep and powerful currents.

THE summer months have been bitter ones for the nations of Europe. Political developments have not been of the kind calculated to promote international good-will. The fear has been expressed that an atmosphere of coöperation may not prevail at the disarmament conference scheduled to convene at Geneva in February.

The League of Nations has taken full cognizance of this contingency. It is attempting to provide a better outlook for the success of the conference. The proposal of Foreign Minister Grandi of Italy that an arms truce be declared until the termination of the conference has caused that body to give serious consideration to the advisability of such a measure. Accordingly, on September 28, the disarmament committee of the League of Nations adopted a resolution providing for an arms truce to begin on November 1 and to last for the period of a year. The League Assembly, in conformity with this resolution will in all likelihood call upon the nations invited to the disarmament conference "to give proof of their earnest desire for a successful issue of efforts to insure and organize peace" by

refraining "from any measure involving an increase of their armaments." It is thought that the United States will be willing to join the nations in adhering to this proposal, as the government has already expressed its approval of the original Grandi plan.

CONCURRENT with the announcement of the League's intention to call for an arms truce came the news from Washington that the administration is planning to make drastic cuts in the national budget for the fiscal year 1932-33. The slash will be directed largely against the navy. It is expected that \$130,000,000 will be saved by doing away with the program to build up the fleet to the limits prescribed by the London treaty. An additional \$25,000,000 will be saved by cutting the destroyer program in half.

But the proposals of the administration will not be adopted without strong opposition. Already the Navy League of the United States has girded for battle and has launched an initial broadside. That organization points to a detailed study of the five navies affected by the London Naval Treaty which has been published quite recently by the League. The report shows, the Navy League declares, that the United States would lose heavily by an arms truce as far as its navy is concerned. According to the Navy League computations, at the beginning of 1932 this country will have only 53.1 per cent of its quota while Great Britain and Japan will have 77.1 and 88.2 per cent respectively. And during the proposed year of truce, the Navy League points out, more of our ships will pass beyond the age limit set down by the treaty than those of Great Britain and Japan. This organization gives every indication that it is prepared for a fight to the finish over the administration's plan.

There is thus laid bare again a definite conflict of opinion in the United States with respect to its army, navy and air forces. On the one side are those who believe that it is only by building up our national defense that we can best contribute to world peace and safety. Aligned against them is a strong sentiment that the building of armaments is wholly unnecessary and that it will act as an encouragement to war rather than to peace. The issue will be joined in Washington this fall. It will be certain to provoke wide interest and discussion throughout the length and breadth of the land. President Hoover is already reported to have expressed extreme displeasure over the opposition with which his economy policies have been received.



It's Going to Take More Than That to Scare Them Off
—Hanny in Philadelphia INQUIRER

Philippine Commissioner Voices Desire of People for Independence

Camilo Osias Declares His People Prefer Freedom with Poverty if Necessary to Prosperity Under Present Form of Rule

Mr. Camilo Osias is Resident Commissioner from the Philippines in the United States. As representative of the Filipino people, he holds one of the two seats in the United States Congress allotted to those islands. He is president of the National University of Manila, being for the present absent on leave from that position. As a former member of the Philippine Senate, Mr. Osias has had a wide experience in Filipino politics, and authoritatively represents the views of his countrymen. In view of the prominence of the Philippine independence movement, THE AMERICAN OBSERVER has obtained a statement of the Filipino position from Mr. Osias. Speaking exclusively for this paper, Mr. Osias says:

Ideals govern the conduct of men and nations. The outstanding ideal in individual and national life is the ideal of freedom.

In the history of the Philippines, the people's love of liberty has been continuous and persistent. In 1521, the resistance of the early inhabitants of the

Islands to the imposition of foreign control resulted in the death of Magellan in the battle of Mactan. The long history of Spanish domination is replete with revolutions waged by the nationals for reform and for separation. The Philippine Revolution of 1896 culminating in the est-

CAMILO OSIAS

establishment of the short-lived Philippine Republic was for freedom's cause. The Filipinos fought in the American-Philippine war which immediately followed America's war with Spain in defense of the same principle. Peace was restored and coöperation on the part of the Filipinos with American authority followed McKinley's announcement that the government established by the United States in the Philippines was only temporary and that its prime purpose was not exploitation but liberation. In war and in peace the Filipino people have felt, thought, and acted with an eye single to their enjoyment of the blessings of national independence.

The whole trend of affairs during the period of American-Philippine relations extending over the last three decades points unerringly to the hastening of the realization of this great objective. Lest people forget, it is well to recall the words of him who, though dead, yet speaketh. President McKinley defined America's Philippine policy when he said: "The Philippines are ours not to exploit, but to develop, to civilize, to educate, to train in the science of self-government." On another occasion he said: "These Philippine Islands are ours, not to subjugate, but to emancipate. . . ." This principle has substantially governed the thought and conduct of every subsequent American president irrespective of party affiliation.

The legislative and executive voice of America was more clearly expressed when the Philippine Autonomy Act was approved in 1916 by the Congress and President of the United States. This Act categorically stated "the purpose of the people of the United States to withdraw their sovereignty over the Philippine Islands and to recognize their independence as soon as a stable government can be established therein."

It cannot be too strongly emphasized that Philippine independence is the fundamental objective of the United

States in her colonial experiment in the Orient and that it is the supreme aspiration of the 13,000,000 people who now constitute the Philippine population.

To show that there should be no difference of opinion on this score it is sufficient briefly to ascertain the nature of congressional legislation for the Islands and the evolution of the Philippine government during the American regime. The very first Organic Act for the establishment of civil government was entitled: "An Act Temporarily to Provide for the Administration of Civil Government in the Philippine Islands." This coupled with the fact that the administration of Philippine affairs was entrusted to the Department of War clearly reveals that America's rule is not permanent but temporary. This is further attested (to) by the evolutionary steps taken in the organization of the Philippine government. The first step immediately following the American-Spanish war was the establishment of a military government. This was a government where complete authority and control were vested in Americans. The second step was the inauguration of a civil government with former President Taft as the first American civil governor. That government was a government of Americans assisted by Filipinos. The third step was taken when in 1916 Congress granted increased autonomous powers to the Filipino people. The government then was transformed into one of Filipinos assisted by Americans. In the light of these events the next logical step is to effect the last necessary change, namely, the establishment of a government of, by, and for the Filipinos.

Until this final step is taken, Philippine independence will continue to be an issue. Every day's unnecessary delay will only increase the difficulty. The situation now partakes of the nature of an impasse. It is considered by Americans and Filipinos alike as undesirable and unsatisfactory. Uncertainty is the keynote of the Philippine situation. It is working a havoc upon the economic life of the country. It is also tending to shake faith and confidence. Such a state of affairs is unsatisfactory and anomalous not only from the economic standpoint but from the political, social, and moral standpoints.

The uncertainty and anomaly are further accentuated by recent events. From

various quarters, notably from the Pacific Coast states, comes the agitation to restrict or exclude Filipinos from the continental United States even while they are under the American flag. From the sugar-producing states there is a feeling that limitation or duty should be placed upon Philippine sugar despite the fact that all American products of every kind and description enter the Philippine market free of duty and without limit. From various sections, especially from the dairy producing communities, there is a demand for definite action because of the fear of competition from Philippine coconut oil. All these and allied factors have resulted in an increased interest in the issue of Philippine independence in the United States and a more determined desire on the part of the Filipinos for the early grant of Philippine independence.

Heretofore Filipinos have relied chiefly on the statesmanship of Americans and on American elements imbued with the spirit of liberty and ethical and humanitarian considerations. Now the American Federation of Labor, the Farm Bureau Federation, the National Coöperative Milk Producers Association, the National Dairy Union, the National Grange, and other interests are more actively working for the immediate solution of the Philippine question. It should be said in justice to these organizations that some, like the American Federation of Labor, have been committed to Philippine independence for years.

On the other hand, Philippine sentiment has been more definitely crystallized. The news recently published in various American papers that Filipinos have changed front is mere propaganda emanating from sources adverse to independence. The truth is that the Filipinos today are more strongly than ever for immediate independence. Both of the existing political parties continue to be for independence without delay. The Philippine Chamber of Commerce representing the Filipino business elements has come out publicly demanding independence. General Aguinaldo and the Veterans of the Revolution who have always favored independence are now more anxious than ever that it be granted. The youth of the land fired by a spirit of nationalism are aggressively for independence. Filipino women (Concluded on page 7, column 4)

THOUGHTS AND SMILES

A government had better go to the very extreme of toleration than to do aught that could be construed into an interference with, in any degree, the common rights of the citizen.
—Abraham Lincoln.

The United States is going to have a lot of second-hand European countries on hand if it forecloses on its mortgages.
—Ohio STATE JOURNAL.

They aren't always wrong in Washington. When they cut down the size of the bills they said the new paper money wouldn't bulge a fellow's pockets, and it doesn't.
—Fort Myers NEWS-PRESS.

When things are blue, nobody can help the situation by turning yell.
—Weston (Ore.) LEADER.

The past, at least, is secure.
—Daniel Webster.

On the strength of Henry Ford requiring all employees to have a garden we predict a bumper weed crop.
—Greensboro (Ga.) HERALD JOURNAL.

And even the gold standard had to dig up that old bromide, "including the Scandinavian."
—Hartford COURANT.

One is led to understand by words dropped here and there by Senator Fess and other Republican leaders that the G. O. P. will wrap up its 1932 prohibition plank in cellophane.
—Buffalo COURIER-EXPRESS.

It's always been our impression that a man can be a patriot without boasting about it all the time.
—Cincinnati ENQUIRER.

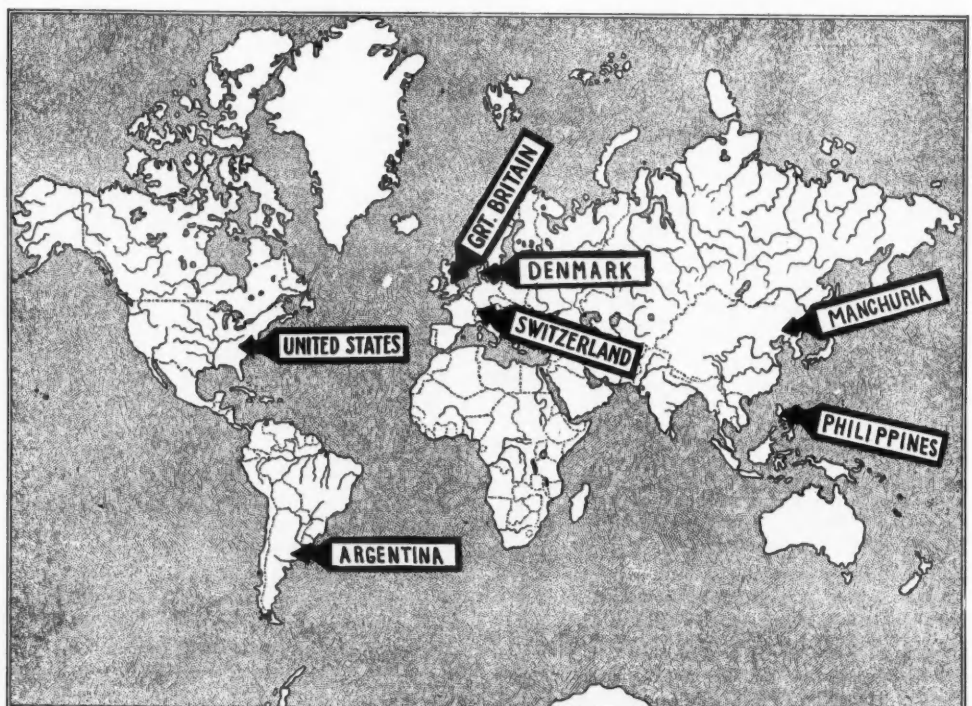
It is worth while to have, and keep books that one may never finish in one's life, but whose backs afford a glamour of memory and of hope.
—London MORNING POST.

Economists declare it is a good sign that America is now facing the facts about the business crisis. In other words, they feel relieved that it is no longer regarded as something to be solved through a blindfold test.
—Philadelphia INQUIRER.

With an English election postponed at the behest of the sovereign, further evidence is given that there is something in this king business after all.
—Boston TRANSCRIPT.

PRONUNCIATIONS

Changchun (chahng'choon), Shantung (shahn-tung—u as in full), Hamaguchi (ham-a-goo'chee), Shidehara (shee-da-hair'a), Inouye (in'o-wee—o as in hole), Camilo Osias (cah-meel'o o-see'as).



United States—Reduction of naval expenditures is proposed; Great Britain—King George requests MacDonald to carry on with National government and to avoid election; Denmark—Follows Norway and Sweden in abandoning gold standard; Manchuria—Moves for independence; Switzerland—League calls for arms truce to begin November 1; Philippines—Agitation for independence continues; Argentina—Political crisis over coming presidential election.



SOCIAL SCIENCE BACKGROUNDS

By David S. Muzzey and Walter E. Myer

MANY classes in American history must have reached, or must be approaching, the period when the American Revolution was coming on. It so happens

**British
Colonial
System**

that the material we will study in correlating that period with present problems is of concern not only to American history classes but to all students of contemporary affairs. It should be of interest to all citizens and to all students to examine the conditions under which the demand for independence arose in the United States and to compare the conditions with those which have actuated the demands for independence now coming from India and the Philippines. It is not necessary to charge the British government of George III with conscious tyranny. The evidence is clear, however, that his government was using the colonies as feeders of the prosperity of certain ruling classes in Great Britain. When a conflict of interest arose between colonies and the mother country, the homeland received the consideration. There should be a qualification of this statement. When we speak of the mother country, it is proper to think not of the English people as a whole, but of the merchants and landholders who were the dominating influence in British politics.

In the case of the relations between a mother country and a colony, it is always possible that the products of the two may compete. There is, for example, a competition today between the sugar growers of America and those of the Philippine Islands. Of that, more later. There was in the case of the American colonies before the Revolution a conflict between the landowners of England and the farmers of the colonies. There was apparently some actual conflict, and a greater competition was anticipated. This, it will be seen, was not a problem peculiar to the colonial days. It was one of those permanent problems which come up again and again in relations between nations and outlying possessions. How did the English in the eighteenth century solve the problem? C. E. Howard in his "Preliminaries of the Revolution" describes the British restrictive legislation in this way:

**Competition
with
Colonies**

"The corn laws enacted during the reign of Charles II had closed the English market to the staples which the colonists might have exchanged for manufactured goods. In the interest of the landowner, 'prohibitory customs duties were levied on agricultural products, such as rye, barley, peas, beans, oats, and wheat'; the importation of provisions, including beef, pork, bacon, and apparently butter and cheese, were prohibited; and a discriminating duty was laid on oil and blubber imported in colonial ships. 'Thus,' concludes Beer (in 'Commercial Policy'), 'New England, and later the middle colonies, not being allowed to exchange their normal products for England's manufactures, were forced to begin manufacturing for themselves.'"

This unforeseen result was intolerable to the disciples of the mercantile theory. According to that theory the colonies were useful chiefly as consumers of English goods for which they were expected to supply the raw materials. Accordingly, having forced American manufactures into existence by one economic blunder, Parliament tried to destroy them by another. The woolen industry was attacked in 1699; the exportation of beaver hats of American production was forbidden in 1732; while in 1750 the manufacture of rolled iron and of steel was restrained.

Such in character was the old restrictive system. Its triple monopoly of shipping, trade, and manufacture had the full and hearty approval of economic writers. Josiah Child—whose book was written in 1665 and first published in enlarged form in 1668—frankly lays it down "that all colonies, or

plantations, do endanger their mother-kingdoms, of which the trades of such plantations are not confined by severe laws, and good execution of those laws, to the mother-kingdom; and that in particular 'New-England is the most prejudicial plantation to the kingdom of England.'"

So stern were the restrictions upon the goods which competed with manufactured goods produced in the mother country, that the *Boston Gazette* complained on April 29, 1765, with only slight exaggeration:

A colonist cannot make a button, a horse-shoe, nor a hobnail, but some sooty iron-monger or respectable button-maker of Britain shall bawl and squall that his honor's worship is most egregiously maltreated, injured, cheated, and robbed by the rascally American republicans.

We may compare this situation with that which prevails at the present time with respect to India and the Philippines.

**Indian
Conditions
Different**

First, let us take the case of India. The Indians are demanding their independence no less than the American colonists did in the eighteenth century, but the causes of complaint are quite different. There is little charge of economic exploitation of the Indian people. The charge is not made that British commercial policy has operated to exploit India in the interests of British manufacturers or farmers. The only tyranny charged against England is that she insists upon maintaining her

authority in India against the protests of the Indian people. The demand for independence is more political than economic.

There is, indeed, a feeling on the part of Indian leaders such as Gandhi that India should be allowed to live her own life and develop her own institutions uncontaminated by Western customs or manners. That is the idea behind his plan to develop a village industry. He would do away with factories and factory conditions and have the spinning and weaving done in the villages. He would render India free of foreign sources of supply largely in order that Indian culture might be free from foreign influences. But Gandhi does not charge that English commercial restrictions are hurting his people.

Rather, the shoe is on the other foot. That fact was dramatically brought out when Gandhi visited the Lancashire cotton mills the other day. Many of these mills are closed and the operatives are out of work because the people of India are refusing to buy British cotton goods. So when Gandhi went to Lancashire the people gathered around him regarding him as a savior who had come into their midst because they hoped that they might induce him to lift the ban on British cotton goods and thus open up the old market. In this case it is the colony, rather than the home country, that is cracking the whip.

But we do not have to look to foreign countries to get an illustration of a present-day demand of a colony for independence. If you will turn to page 5 of this

issue of THE AMERICAN OBSERVER, you will find an appeal for Philippine independence by Commissioner Osias, who speaks with authority for the Filipinos. You will observe, however, that he is not charging the United States with economic exploitation. His appeal is political. It voices the craving of a people for independence rather than freedom from economic restraints. Of particular interest is this statement:

The stand of the Filipinos is absolutely definite and unmistakable. If given the choice between a continuation of the present form of government on the one hand and immediate and complete independence with all the attendant consequences on the other, the Filipino people are a unit in favor of immediate and complete independence. To make this point more emphatic: If the choice is between relative prosperity without freedom and independence with relative poverty, the Filipinos would unhesitatingly choose the latter. Naturally if they could secure immediate independence with reasonable economic adjustments they would welcome it. But let there be no mistake. The supreme concern of the Filipinos is the early grant of national independence.

There is, as a matter of fact, a certain conflict of interest between the Filipinos and American agricultural producers. A number of Americans are engaged in the production of sugar. Cane sugar is produced in the Gulf states, and beet sugar in the mountain states. Sugar is also

**Problem
Similar
to Colonial**

produced in the Philippine Islands. The United States is therefore confronted by the same kind of problem that faced the British government in the eighteenth century. If our government acted in accordance with the principles of legislation followed by the British of those days, it would place a tariff duty on Philippine sugar coming into the United States, or else it would forbid the importation of that commodity altogether.

Now, as a matter of fact, there are those in the United States who wish to see that kind of program adopted. These people, feeling the effects of Philippine competition, have demanded that duties be placed on Philippine sugar. They have not succeeded in getting such action taken though they have secured an increase on the rates on sugar coming from Cuba, which though not a possession of the United States is a ward of this country, its independence having been secured through American intervention and a degree of protection being still maintained.

When faced by the fact of competition between the colonial products and our own products, most of those who feel themselves

**Present
Day
Policy**

hurt advocate, not the passage of laws restricting the importation of goods from the colony, but rather the granting of Philippine independence so that the islanders may be outside our customs walls. A majority of the United States Senate Committee on Territories and Insular Affairs said last year in reporting a bill to provide for the withdrawal of American sovereignty from the Philippines:

Congress has demonstrated that it will not subject the 13,000,000 Filipinos to the rigors of our exclusion act, to our trade barriers, or to other handicaps placed upon the foreigner while these people are held within the jurisdiction and under the protection of American sovereignty.

While the interests of the American farmer, of the worker, and of the manufacturer should be protected, this protection should come from a constructive settlement of the whole problem and not through piecemeal legislation.



PATRICK HENRY

Portrait by George B. Matthews in the Senate wing of U. S. Capitol.

It is interesting to compare the impassioned oratory of Patrick Henry and other revolutionary patriots with the coolly deliberate utterances and tactics of Gandhi. Conditions under which colonists appeal for freedom have changed greatly in a century and a half.

RESULTS OF BRITAIN'S GOLD ACTION IN DOUBT

(Concluded from page 1, column 3)

Is it a good thing for the British, then, that the pound has fallen in value? There are economists who think so. The *New Republic* thinks so. It says that "the events of the past week constitute the most hopeful development in the world economic situation for many months."

But this is not the view of the British government. It is not the view of those who favor a gold standard. Economists who hold to this position deny that any nation can realize a permanent gain in its trade position when its currency falls in value. There may, indeed, be a temporary revival of business, say these economists, but disadvantages will soon assert themselves.

Foreign Trade

The English are now, for example, finding it hard to buy foreign goods. Suppose Mr. John Bull tries to buy American goods. He may have planned to make a purchase of an American article worth \$4.86. That, until September 20, amounted to one pound of his money. He still wants the article and offers a pound for it. But he finds that a pound is now worth but \$3.92 of American money. He is therefore offering the American firm only \$3.92 for it, whereas the price is \$4.86. To buy it he must now pay not one pound but about a pound and a fourth. Yet he has no more pounds—no more English money—than he had before. So he cannot afford to make the purchase.

This too is happening on a large scale. Those who have been importing foreign goods cannot do so, except at a higher price. So the British industries may find their present advantage quite temporary. The cotton mills will find it more expensive to buy raw cotton. Other raw materials which come from abroad will be dearer. And then, too, the British depend very heavily upon foreign sources of supply for their food. They will have to pay more of their money in order to get food. The cost of living may be expected to go up.

What we find, therefore, is that immediately after a currency falls in gold value, as the pound has done, exports are stimulated and there is something like a temporary business boom. Imports are harder to obtain, however, and as soon as business firms have exhausted the supply of raw materials which they have on hand, they are obliged to pay more for such materials as they must import from abroad. This tends to raise the price of goods and thus check exports. Even before this happens the competition of foreign buyers to secure goods for export is likely to cause prices to rise, so that after a while the prices in the country with the depreciated currency will be back at the world level. The fall, or depreciation, of paper money such as the pound may create an effect such as a drug creates on the human body. It may create a temporary stimulation which is, however, not built upon a solid foundation.

Creditors and Debtors

When currency falls in value it has another important effect. It hurts creditors and helps debtors. Suppose an Englishman a month ago borrowed a pound. He borrowed something which was worth \$4.86. He may discharge that debt today by paying

back a pound, but that pound in the markets of the world is worth today only \$3.92. He has made 94 cents on the deal, and the man of whom he borrowed has lost just that much. It may be said that the man who receives the pound back is not at such a disadvantage so long as he uses it to buy goods in England, for they are still priced in terms of pounds. That is true at this moment, but we have seen that in a short time as paper money falls in value prices in terms of that money are likely to go up. We may therefore expect that prices in England will soon advance so that the

French investors who had bought its bonds that amount, but each franc was worth now, not 19 or 20 cents, but four cents. So the French debt was cut down from \$55,000,000,000 to \$11,000,000,000. This was a good thing for the government, but how about the French men and women who had put their savings into bonds? For every 20 cents worth of bonds that they bought they stand to get back 4 cents. Four-fifths of all the value of their holdings in bonds was thus wiped out.

In Germany the situation was even worse. The marks went down so low that they were worth practically nothing

in an event of that kind there are certain people who benefit and others who lose. Therefore it is too much to expect that all the people in the country should be thinking in an abstract way as to the sort of financial policy that is best for the nation as a whole. There will be a bitter conflict over any attempt by the government to restore the gold standard in Great Britain. There will be many people who will consult their own interests. Those who stand to lose by a depreciated currency will fight for restoration of the gold standard and those who stand to gain, or who think they stand to gain by having cheaper money, will oppose the return of the gold standard. This conflict, like the one over the dole, will partake of the character of a class struggle.

Foreign Effects

The dropping of the gold standard by Great Britain has started the ball rolling in the north of Europe. Norway, Sweden and now Denmark have announced that they will no longer operate on a gold basis. Other countries have imposed limitations on the export of gold. The nations using this metal to redeem their currency at present seem to have become the exception rather than the rule. According to a survey made by the *Baltimore Sun* the only countries of Europe keeping to the gold standard and imposing no restrictions on its export are France, Belgium, Holland, Switzerland and Finland. In America, the United States alone enjoys that position. In the Far East, Japan keeps to the standard but controls exports. The financial storm started in Austria, extended to Germany, took Britain from gold, and other countries are following.

INDEPENDENCE DEMANDED FOR FILIPINO PEOPLE

(Concluded from page 5, column 3)

men are equally for it. And the Philippine Legislature with singular unanimity is ardently petitioning the people and government of the United States to redeem their pledge. It would be difficult if not impossible to find in history a people as solidly united for national independence as the Filipino people.

The stand of the Filipinos is absolutely definite and unmistakable. If given the choice between a continuation of the present form of government on the one hand and immediate and complete independence with all the attendant consequences on the other, the Filipino people are a unit in favor of immediate and complete independence. To make this point more emphatic: If the choice is between relative prosperity without freedom and independence with relative poverty, the Filipinos would unhesitatingly choose the latter. Naturally if they could secure immediate independence with reasonable economic adjustments they would welcome it. But let there be no mistake. The supreme concern of the Filipinos is the early grant of national independence.

Too long has there been apathy and indifference to the Philippine question which should be a major problem of American politics and statesmanship. Fifteen long years have elapsed without any legislation that would solve American-Philippine relations. It is neither creditable nor honorable to either country to perpetuate a situation characterized by uncertainty and anomaly. It is to the decided advantage of both America and the Philippines that the issue of Philippine independence be definitely settled soon and aright.



I'VE GOT WET BEFORE AND SURVIVED

—Kirby in New York World-Telegram

man who receives back the pound which he loaned to his friend can buy back with it far less than when he loaned it. Debtors are therefore usually glad to see money go down in value. They favor any method by which money may be depreciated or by which prices may be forced up. Creditors, on the other hand, bankers and others who make a business of lending money, stand strongly against the depreciation of money. They want a system by which a debt may stand for just as much when it is paid off as it did when it was contracted.

National Debt

The fall in the value of money has another important consequence. It cuts down the national debt. Let us see how this worked a few years ago in the case of France. After the war the French debt to its own people stood at 270,000,000,000 francs. That is, French investors had bought their government's bonds to that amount. Two hundred seventy billion francs amounted at that time to \$55,000,000,000. The franc at that time was worth about 20 cents.

But the franc began to fall in value. It kept on falling until in 1926 its value was fixed permanently by the government at four cents. After that the French debt still amounted to 270,000,000,000 francs. The government owed

ing. Finally the government made a settlement by which those who had bought the bonds got back about 1/25 of what they paid. Germany in that way had wiped out practically her entire national debt. But those who had loaned money to the government were ruined and so were those who had loaned fixed amounts of marks to private debtors.

Great Britain has an immense national debt. The government has sold bonds to its people and the interest charge on this debt constitutes a considerable part of the annual expenses of the government. The interest is paid in pounds. Now that the pound is down in value about one-fourth, these bondholders are getting one-fourth less in actual value from their investment. The burden on the government is lighter but the British bondholders have had a part of their incomes wiped out.

Conflicting Interests

These are but a few of the possible effects of the currency depreciation in Great Britain—effects which are noted for the time being even though the abandonment of the gold standard may be, as the British government hopes, only temporary. We have mentioned only a small number of the consequences of the currency depreciation, but enough has been said to show that

State Commissions Examine Systems of Taxation; Recommend Changes

Income Taxes Are Advised by Committees in Fifteen States as a Supplement to General Property Tax Which is Held to be Inadequate

* The problem of taxation is a very real one in the United States, and it is commanding an increasing measure of attention. This applies not only to taxes imposed by the federal government, but to those levied by the states and local authorities. As a matter of fact, these local taxes are subjects of even more widespread complaint because the burden of state and local taxes falls upon the shoulders of a greater number of people than does that of the national taxes.

There are widespread demands for economy in the states and cities, but these demands are coupled with a quite general recognition that it will be very hard to reduce the state and local expenditures to any considerable extent. This is apparent when we examine the uses to which the money is put. In 1927 (and conditions have not altered materially since then), 39.7 per cent of all the money spent by states was for schools. This means that \$2.00 out of every \$5 went for education; 17.3 per cent was spent for charities, hospitals, and corrections; 15.2 per cent went for the building and maintenance of highways; 8.9 per cent was used to carry on the operations of the government; 5.7 per cent went for the protection of persons and property; and 5.8 per cent for development and conservation of natural resources.

The expenses of the cities are also of such a character that they cannot well be reduced without depriving the people of needed services. 38.3 per cent—almost the same relative amount as in the states—is spent for schools and libraries. The protection of persons and property takes a larger share of the cities' money. 20 per cent, or \$1.00 of each \$5.00, is spent for protection. The general government of the city costs 8.5 per cent, almost the same percentage as does that

of the states. 10.1 per cent is spent for health and sanitation; 8.8 per cent for highways; and 6.1 per cent for charities, hospitals, and corrections.

It will be very hard to curtail these expenses, and since the total of them amounts to a very large sum—the cost of state and local government being about twice that of the national government—attention is being directed toward the possibility of finding better means of raising the money. Half the state legislatures have appointed commissions or committees to study the tax systems to see whether improvements may be made.

Most of these commissions look with disfavor upon the general property tax, the tax upon which nearly all of the states lean most heavily. This tax is considered outworn. The time was, many years ago, when property consisted for the most part of land or herds or houses or other kinds of property that could readily be seen and that could not be concealed. It seemed fair enough then to tax people according to the amount of property that they had; in other words, to use the general property tax. But now in our complex civilization a large share of property is in the form of money, bonds, mortgages, securities, and other forms of property which are not readily discovered—which are called *intangible*. When the attempt is made to raise the money to support the government by a general property tax, the tax therefore bears very heavily upon *tangible* property such as real estate, while the owners of personal property escape very lightly.

There is a disposition among many of these state committees to recommend very light taxes on intangibles so that the owners may have less reason to conceal them and to make up for this tax by levying state income taxes. It is as-



MODERN APARTMENT BUILDINGS IN VIENNA © Wide World Photos

This is the type of building which is being substituted for the tenements in which the working people have lived.

sumed that most of the people who have a large amount of intangible property are the ones who also have incomes which could be reached by the income tax.

The income tax for states has been recommended by the committees in Ohio, Indiana, Mississippi, Pennsylvania, Iowa, South Dakota, Colorado, Utah, Washington, Oregon, California, New Mexico, Texas, Illinois, and Florida. The commissions in only two states, Maryland and Arkansas, decided against an income tax. These recommendations will go before the state legislatures when these bodies meet.

IMMIGRATION DECLINES

Numerous assertions have been made of late that immigration in this country has practically reached a standstill. The truth of these statements is strikingly illustrated by a recent report published by the Bureau of the Census. According to the Bureau's findings the foreign-born white population of the United States has shown an increase of only eight-tenths of one per cent over the last ten years. On April 1, 1930, there were 13,366,407 foreign-born whites in the United States as compared with 13,255,394 in 1920. While the increase is very small it is interesting to note the changes which have taken place in the matter of countries represented by alien-born residents. For instance, the number of persons born in Ireland and the Irish Free State was 11 per cent less in 1930 than in 1920. Similarly the number of Germans were diminished by 4.6 per cent. These countries formerly sent the greatest proportion of emigrants to America. On the other hand, the number of individuals of Scottish birth increased by 39.2 per cent over the ten-year period. There were also 14.4 per cent more Canadians and 11.2 per cent more Italians in 1930 than there were in 1920.

Vienna Achieves Housing Progress

Despite Poverty City Builds New Apartments for Workers

It has been demonstrated in Vienna during the years since the war that a city may be very poor and yet may find a way to improve the living conditions of its people. This city is certainly poor enough. It was formerly the capital of the Austro-Hungarian Empire and was one of the gayest capitals of the world, but the empire has fallen away. The rich corn-growing region has gone to Hungary, and the mining and forest sections have fallen to Czechoslovakia. Vienna now finds itself the center of a very small state, one-third the population of Austria dwelling within the city itself. The population of Vienna has fallen from 2,100,000 to 1,850,000.

But despite the adverse conditions, the city government has made remarkable improvements in the housing of the people. Before the war the Viennese working classes were miserably housed—worse than anywhere else in Europe. Ninety per cent of these families lived in dark, dingy tenements. In most cases there was but one room and an unlighted kitchen. And this room and kitchen housed, on an average, 4½ persons. Sometimes as many as 10 people lived in such cramped quarters. There were no playgrounds, 85 per cent of the ground in many blocks being occupied by tenement buildings.

To remedy this condition, the municipality, poor as it was, went to work after the war to build modern apartment houses. It has already constructed 45,000 buildings, and by the end of next year it hopes to have 60,000 completed. It has built a number of one-family dwellings for sale on easy terms to middle-class families. But most of the buildings are apartment houses or flats. They are not closely constructed as were the old tenements, for instead of occupying 85 per cent of the land area, they occupy only a fourth, the rest being left for gardens and playgrounds. Most of the apartments consist of two rooms and a kitchen with an entrance hall and balcony.

There are no bathrooms in the apartments, but there is a public bath-house in every block. There are also common laundries, kindergartens, clinics, and health services.



ONE REASON WHY IT IS HARD TO CUT LOCAL EXPENSES

Two-fifths of all the money spent by state and local governments goes for the support of schools. The picture shows buildings of the University of the City of New York together with those of the Townsend High School.

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